



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

June 14, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: David E. Janssen  
Chief Administrative Officer

## SACRAMENTO UPDATE

### Speaker's Press Conference on the Budget

Just before noon on Wednesday, June 14, 2006, Speaker Fabian Nuñez held a press conference on the Budget. Our Chief Legislative Advocate, Dan Wall, was present and submitted this report. The Speaker explained why the Budget would not likely be passed, or even voted on, by the June 15, 2006 Constitutional deadline. The Speaker opened with the comment that the only reason for the press conference was that he made a public statement last week that the Budget would be passed by June 15, 2006. He said that it is now clear that there are insufficient votes from either Republican Caucus for successful passage. He also said that it would be pointless to do a "drill," that is put the Budget Bill, AB 1801, up for a vote knowing that it was destined to fail.

Speaker Nuñez said that the Conference Committee on the Budget completed its task in time to meet the June 15, 2006 deadline, and he challenged the media to tell him that the Conferee's work product was not "fiscally prudent". In support of that statement, he told the media that the Conference Report detailed a spending plan which was \$137 million less than the Governor's plan, yielded a budget year reserve that was \$255 million greater than the Governor's reserve, and provides for out-year deficits that are \$355 million less than what would have occurred under the Governor's Revised Budget.

When asked about which issues were holding up the Budget, the Speaker offered that the \$22.8 million expansion of the County Health Initiative programs for low-income children and the amount of money pledged to reduce the debt on the Deficit Reduction Bonds were among the items preventing resolution. He added that he feels strongly that the expansion of health care coverage for impoverished children is inappropriately being drawn into the immigration debate. (This proposal was added to the Budget by the Senate and Assembly Democratic Caucuses.) He observed that 88 percent of the low-income children receiving medical care are either citizens or legal California residents, that you cannot put a value on the lives of the children who need medical care, and that he was disappointed in the attitude of the Republicans on this issue.

### **Status of County-Interest Legislation**

**County-supported AB 1634 (McCarthy)**, which would appropriate funds for local costs incurred for the special statewide election held in November 2005, was amended on June 12, 2006. As amended, AB 1634 would provide \$38,818,311 to fully reimburse all counties for special election costs, including \$9,068,400 for Los Angeles County. AB 1634 is currently in the Senate Appropriations Committee, where it awaits a hearing.

**County-supported AB 2240 (Committee)**, which would allow Plan E members to purchase up to five years of additional service credit, was approved by the Senate Public Employment and Retirement Committee as part of its consent calendar on Monday, June 12, 2006. Current statutory authorization to purchase additional service credit applies only to contributory plans, and Plan E is a non-contributory plan. The cost of purchase will be calculated so there is no additional financial burden on the retirement system. AB 2240 now proceeds to the Senate floor.

### **Upcoming UCLA Economic Forecast**

On Wednesday, June 7, 2006, the UCLA Anderson School of Business presented its preliminary outlook for the Federal and State economies with a focus on the real estate market. The final forecast will be released on June 21, 2006. The upcoming UCLA Forecast will depict a national economy that will continue to slow into a soft landing with no recession in the foreseeable future. State personal income growth is expected to be relatively stable hovering around 2.5 percent a year as compared with the national average of about 3.4 percent for the period from 2006 to 2008. Short-term interest rates are expected to remain stable with long-term rates rising slightly.

**Housing:** Housing starts will continue to slow from 1.9 million to about 1.6 million by the end of 2007. While housing prices will decline in some markets, it is not expected to be widespread. There will continue to be pressure for more housing in the Los Angeles and Southern California areas. Four of the highest priced housing areas in the country are in Southern California, with the Los Angeles-Long Beach area ranked fifth in the nation. Combined with a relatively low median household income in Los Angeles

County, the ratio of median house value to median household income (the un-affordability index) is among the highest in the nation. Rent prices in the Los Angeles area are also among the nation's least affordable, resulting in the worst overcrowding in the country when measured by the number of persons with over one person per room in a home.

In spite of these pressures, the historical average number of housing starts per new adult in California is 75 percent of the rate for the United States. Recent low interest rates have doubled the rate of national housing starts. However, housing starts in California have only increased by 33 percent during that period of time. As a result, the number of State housing starts per new adult has dropped to 50 percent of the national average. While new housing starts in California are relatively low, the percentage growth in apartment stock is not much better. Due to the number of condominium conversions, the rate of growth in apartment units in Southern California is approaching zero.

Historically, there has been a positive relationship between the number of jobs available and net migration into the State. In other words, as jobs became available, net migration into the State has increased. Since 2004, there has been a divergence in this relationship as net migration continued to decline even as the unemployment rate decreased. This may be an indicator that other quality of life factors may supercede the availability of jobs when individuals make a decision to move to California.

We will continue to keep you advised.

DEJ:GK  
DW:MAL:IGR:cc

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations